

Minutes Enhanced Services Commission January 9, 2013

Minutes of the Enhanced Services Commission held on January 9, 2013, 8:30 AM, at the City of Tempe Orchid House, Tempe, Arizona.

Members Present: City Staff Present:

Mark Sanford, Chairman of the Board
Neil Calfee, President
Ken Jones, Treasurer
Lisa Collins, Secretary
Kathy Berzins
Roger Hallsted
Chris Messer
Nancy Ryan
Benicia Benson
Oliver Ncube

Don Bessler Gordon Cresswell Nancy Hormann Cheryl Hornyan

Members Absent:

Heidi Kimball, Vice President

Travis Dray

Public Present:

Matt Mooney

Meeting convened at 8:35 AM.

Agenda Item 1 – Consideration of meeting minutes: November 14, 2012

Mark Sanford confirmed the commission members had reviewed the minutes.

MOTION: Neil Calfee
SECOND: Ken Jones
DECISION: Minutes approved

Agenda Item 2 – Public Appearances

There were no public appearances.

Agenda Item 3 – Overview of Enhanced Services Area

Ken Jones clarified that the Commission is an advisory board to the City Council. The goal is to develop a recommendation to be submitted.

Roger Hallsted gave a background on the 1997 assessment plan.

- Interim Operations & Maintenance Assessment: Vacant properties pay 20% of their O&M assessment until developed and a Certificate of Occupancy (C. of O.) is obtained. City of Tempe makes up the 80%.
- Operations & Maintenance Assessment: Improved properties pay 100% of their O&M assessment.
- Lake Assessment (Capital Cost): Owners pay their share of lake construction cost at C. of O. (\$44,849,700).
 - While vacant a Cost Index Factor of 5% is added to that property's portion of the capital cost each vear until improved.

Neil Calfee asked for the philosophy behind the assessment set up.

Ken Jones gave the breakdown

 Assessments of the initial lake construction costs, property surrounding the lake would reimburse the cost of the construction.

- Annual O&M assessments for enhanced services, recipients of the service would pay for the enhanced service
- Annual "asset replacement" component of O&M assessments, property owners put money into the fund so
 that as capital assets needed to be replaced there would be funding available.

The model assumed complete monetary support by the property owners surrounding the lake to include the enhanced services, replacement of the assets and initial construction costs.

Neil Calfee suggested the following points of discussion:

- Does the funding model work, is development achievable
- What are the mechanics of the assessment, how has it worked historically
- What are the goals for the community as a whole

Ken Jones began the discussion with the Initial Lake Construction Assessments. Property owners are assessed their pro-rata shares of original lake construction costs upon issuance of a certificate of occupancy, with 5% interest added to the total unpaid assessment balance each year since formation of the CFD. Payments can be made in cash or amortized over 25 years after the C. of O. is issued

• Should the 5% interest rate be changed to a CPI inflator as of July 1, 2009?

The City originally covered the cost of construction and is paid back when certificate of occupancy is issued. Is the 5% a deterrent to development? Cheryl Hornyan asked about the individual condo owner semi-annual billing. Roger Hallsted explained that individual condo owners paid all capital costs at the time of purchase and the O&M maintenance is charged semi-annually. As a property remains vacant, the principal amount grows by an index factor of 5%. The index factor percentage is the discussion. Neil Calfee stated, regardless of the 5%, there is still a capital payment for each property. Neil gave an example of an assessment that was recently completed on ASU property. In order to cover the cost of the capital assessments, \$6.00 per square foot had to be deducted. Is the cost to develop the lake reasonable based on the current economy? It's more expensive to build at the lake than anywhere else in the valley. Is the City willing to offer an incentive to level the playing field? The commission had a long discussion about the current economy.

Don Bessler stated the funding model is not working in general. Don gave the example of the dam needing to be replaced 15 years earlier than anticipated with no funding available. The funding model needs to be dramatically reworked. Neil Calfee stated the plan could never work if there was vacant property. Nancy Hormann stated that the economy has had a tremendous impact on the development. Ken Jones clarified that the re-payment for the original cost of the construction is simply going directly to the City, not the CFD. The amount for O&M and capital replacement being collected is 100% regardless of development of the lake. Both the developers and the City are covering 100% of the costs. The model didn't collect enough money for the assets based on their actual useful life and the projected replacement costs. Neil Calfee reinforced the City still needs development to cut down on costs overall.

Don Bessler asked if owners who have already paid the 5% would be in favor of eliminating the index factor. Cheryl Hornyan stated she would be in favor of developing the lake even if that meant the elimination of the 5%. Nancy Hormann expressed concern over punishing people who are trying to develop versus those who are not. Find some way to incentivize those who choose to develop now.

Discussion on the initial lake construction assessment will continue at the next meeting.

Ken Jones moved on to the Annual O&M assessments. The enhanced services are paid 100% by the owners of developed properties. The City covers 80% of the O&M assessments for undeveloped properties. Nine properties have grandfathered exemptions.

- Should the Commission recommend updated language to base O&M assessments on enhanced service costs within district boundaries, including the serviceable components of the dams?
- CFD O&M area is levee-to-levee, dam-to-dam

Nancy Hormann asked for clarification on the items covered under the O&M assessments. Chris Messer referred to the line item budget summary.

Ken Jones continued on the Asset Replacement assessments. The 1995 funding model assumed that the asset replacement component of the annual O&M assessments would provide for the replacement of all capital assets included in lake construction, including both dams.

Should the Commission recommend that asset replacement assessments be based on replacement costs
of depreciable assets that exist from seat wall to seat wall, including some mechanical aspects of the new
dams?

Neil Calfee asked if a portion of the recreation fees are going towards the fund. Don Bessler suggested a definition change of seat wall-to-seat wall, dam-to-dam. The City would be maintaining anything outside the seat wall because it's a park. Ken Jones clarified levee-to-levee, dam-to-dam would be enhanced services. Seat wall-to-seat wall, dam-to-dam would be for the asset replacement. The City would normally maintain the linear park even if the lake wasn't there. Neil Calfee stated the lake overall is a public amenity and everyone should pay a subsidized amount for boat permits or recreation fees. Cheryl Hornyan asked if the special events pay a fee. Roger Hallsted explained there are special event fees for things like clean up. If the event occurs on the lake, there is a lake use fee. All boat permit and lake use fees are estimated to be \$52,000 for the year. Are the fees charged for lake use enough? Are there additional ways to generate more revenue? The example of building a boat house with a restaurant was given. Neil Calfee expressed the possible need for a specific group, like DTC, to oversee the lake. Nancy Hormann agreed and added the need to connect the lake and the downtown. Ken Jones asked for the logic behind asking the Council to cover the cost of replacing the dams. Don Bessler said the lake as a whole is a community value which bleeds into the downtown spending.

Discussion on the asset replacement will continue at the next meeting.

Agenda Item 4 - Dam Update

Don Bessler gave a brief update. The dam design drawings are at 30% completion. Time table is still on track, 60% completion should be March 1.

Agenda Item 5 - Budget

Chris Messer and Roger Hallsted gave an update on the budget. Roger indicated the City of Mesa is pumping water from the river bed to the west valley which results in an increase in water replacement costs. There will be savings in water treatment but an increase in electricity. Gordon Cresswell asked about the reclaimed water proposal from a few years ago. Roger stated the study showed it was too expensive. Chris Messer asked how the O&M budget is doing overall. Roger stated everything except electricity and water is on projected track.

Agenda Item 6 – Future Agenda Items

Capital Assessment Infrastructure Replacement Boat Permit Fees

Kathy Berzins announced Travis Dray is resigning from the City of Tempe. Chris Messer indicated he would need to be replaced on the commission.

The next meeting will be February 6, 2013 at the City of Tempe, Orchid House, 21 East Sixth Street.

Meeting adjourned at 10:35 AM.

Millid

Prepared by: Benicia Benson Reviewed by: Chris Messer

Lisa Collins Secretary